

***FAS***

# Reference Guide

---

**Prepared by: Benefits and Entitlements Team  
Updated March 2009**

## **Thrift Savings Plan (TSP)**

***A Guide for Personnelists***

**Defense Civilian Personnel Management Service  
Field Advisory Services Division  
1400 Key Boulevard, Suite B-200  
Arlington, VA 22209-5144**

## **Thrift Savings Plan (TSP)**

### **REFERENCES**

Title 5, United States Code (U.S.C.), Chapter 83, Subchapter III

Title 5, United States Code (U.S.C.), Chapter 84, Subchapter IV

Title 5, Code of Federal Regulations (C.F.R.), Chapter 6 (Parts 1600 –1690)

Thrift Savings Plan web site: [www.tsp.gov](http://www.tsp.gov) for TSP forms, publications and TSP Highlights.

### **INTRODUCTION**

The TSP is a retirement savings and investment plan for Federal employees. Employee contributions and accrued earnings are tax-deferred. The purpose of the TSP is to provide annuitants with retirement income. TSP offers Federal civilian employees the same type of savings and tax benefits that many private corporations offer their employees under “401(K)” plans. Employees covered by Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) can contribute to the TSP. The participation rules are different for CSRS and FERS employees.

The TSP is a defined contribution plan. The retirement income the employee will receive from the TSP account will depend on how much the employee and the employer have contributed to the account during the employee’s career and the earnings on those contributions. Contributions to TSP are voluntary and are separate from contributions to the FERS annuity and the CSRS annuity.

The Federal Retirement Thrift Investment Board administers the TSP and contracts with the Agency Technical Service (ATS) as the TSP record keeper. ATS maintains the accounts of TSP participants. Money in the TSP and earnings on that money cannot be used for any purpose other than providing benefits to participants and their beneficiaries and paying TSP administrative expenses.

The employing agency also plays an important role in TSP administration. Employing agencies are responsible for determining employee retirement coverage and reporting to the record keeper the dollar amount of contributions to employee accounts each pay period. The agency also distributes TSP materials and answers employee questions. The employing agency is the employee’s primary TSP contact.

The TSP is a daily valued system, shared-based plan with transactions (loans, interfund transfers, withdrawals, etc.) processed daily. TSP accounts are expressed as shares of the TSP funds in which participants invest their money. The value of the account is based on the daily share price of the funds and the number of shares the participant holds in each account. The value of the account balance will change every day as the share balance and number of shares change. The account balance will be shown in both shares and dollar amounts.

### **TSP Features**

- Immediate employee contributions
- Before-tax savings and tax-deferred investment earning
- Daily valuation
- Choice of Investment Funds
- Interfund Transfers
- Low administrative and investment expenses
- Transfers or rollovers of eligible distributions into the TSP
- Ability to make contribution allocations daily
- Catch-up contributions (for participants age 50 or older)
- Portability Benefits (after separation from Federal Service)
- Loan Program
- Spouse's Rights
- In-Service Withdrawals
- Post-Employment Withdrawal Options
- Ability to designate beneficiaries
- Calculators
- ThriftLine & TSP web site

### **TSP Investment Funds**

There are six investment funds from which to choose.

- G Fund (U.S. Treasury Securities) – The objective of the G Fund is to maintain a higher return than inflation without exposing the fund to risk of default or changes in market prices. It offers the opportunity to earn rates of interest similar to those of long-term Government securities but without any risk of loss of principal and very little volatility of earnings. It also is invested in short-term U.S. Treasury Securities specially issued to the TSP. Payment of principal and interest are guaranteed by the U.S. Government, thus, there is no “credit risk”. Earnings consist entirely of interest income on the securities.

- F Fund (U.S. Debt Index Fund – Bond Market) – The objective of the F Fund is to match the performance of the Lehman Brothers U.S. Aggregate (LBA) index, a broad index representing the U.S. bond market. The F Fund offers the opportunity to earn rates of return that exceed those of money market funds over the long term, with relatively low risk. The risk of nonpayment of interest or principal (credit risk) is relatively low because the fund includes only investment-grade securities and is broadly diversified. The F Fund has market risk (the risk that the value of the underlying securities will decline) and prepayment risk (the risk that the security will be repaid before it matures). Earnings consist of interest income on the securities and gains (or losses) in the value of securities resulting from changing market interest rates.
- C Fund (Stocks) – The objective of the C Fund is to match the performance of the Standard and Poor's 500 (S&P 500) Index, a broad market index made up of stocks of primarily large U.S. companies. The C Fund offers the opportunity to earn a potentially high investment return over the long term from a broadly diversified portfolio of stocks. There is a risk of loss if the S&P 500 index declines in response to changes in overall economic conditions (market risk). Earnings consist of gains and losses in the prices of stocks and dividend income.
- S Fund (U.S. Stocks) – The objective of the S Fund is to match the performance of the Dow Jones Wilshire 4500 Completion (DJW 4500) Index, a broad market index made up of stocks of medium to small U.S. companies not included in the S&P 500 index. The S Fund offers the opportunity to earn a potentially high investment return over the long term. There is a risk of loss if the DJW 4500 index declines in response to changes in overall economic conditions (market risk). Earnings consist of gains and losses in the prices of stocks, and dividend income.
- I Fund (International Stocks) – The objective of the I Fund is to match the performance of the Morgan Stanley Capital International EAFE (Europe, Australasia, Far East) Index, a broad international market index, made up of stocks of companies in 21 developed countries. The I Fund offers the opportunity to earn a potentially high investment return over the long term by investing in the stocks of companies in developed countries outside of the U.S. There is a risk of loss if the EAFE index declines in response to changes in overall economic conditions (market risk) or in response to increases in the value of the U.S. dollar (currency risk). Earnings consist of gains and losses in the prices of stocks, currency changes relative to the U.S. dollar, and dividend income.

- L Fund – The objective of the L Funds is to provide the highest possible rate of return for the amount of risk taken. The L Funds diversify participant accounts among the G, F, C, S, and I Funds, using professionally determined investment mixes (allocations) that are tailored to different time horizons. The L Funds are rebalanced to their target allocations each business day. The investment mix of each fund adjusts quarterly to more conservative investments as the fund's time horizon shortens. Investing in the L Funds is not a guarantee against loss and does not eliminate risk. The L Funds are subject to the risks inherent in the underlying funds, and can have periods of gain and loss. The L Funds' expected returns will be approximately equal to the weighted average of the G, F, C, S and I Funds' returns. Earnings will be calculated daily and there will be a daily share price for each L Fund.

For more detailed information on each of the TSP investment funds, refer to the TSP web site under Forms and Publications, booklets, Managing Your Account.

### **TSP Eligibility**

Employees covered by CSRS, FERS and members of the Uniformed Services are eligible to participate in the TSP. Employees covered by FERS must serve a waiting period before they can receive employer contributions to their TSP accounts. Employees covered by Social Security (FICA) only are not eligible to participate in the TSP. Employees covered by CSRS and FERS are immediately eligible to participate in TSP.

### **Maximum Contributions**

Currently, there is no contribution percentage limit. Employees will only be limited by the IRS Elective Deferral Limit.

### **Beginning Contributions to a TSP Account**

To start contributing to the TSP, employees should ask their supporting Human Resources Office (HRO) for the TSP Election Form (TSP-1), download the form from the TSP web site, or use their agency's electronic version if one is available. Employees should complete the form to show whether they want to contribute a percentage of their basic pay or a fixed whole dollar amount each pay period.

### **Interfund Transfers**

An interfund transfer moves the money already in your account among the TSP investment funds. When you make an interfund transfer, you choose the new percent you want invested in each fund. You cannot move a specific dollar amount among the funds. Effective May 1<sup>st</sup>, 2008 you will be able to make only two interfund transfers a calendar month, with unlimited transfers to the G Fund. You can make these transactions at any time on the TSP Web site or the ThriftLine. You can also submit an Investment Allocation form (TSP-50), to TSP.

### **Catch-up Contributions**

“Catch-Up” contributions are supplemental tax deferred employee contributions, which are in addition to regular TSP employee contributions. The Catch-up contributions are tax-deferred but do not count towards the IRS deferral limit. To be eligible to make catch-up contributions, a participant must be:

- Age 50 or older in the calendar year in which the catch-up contributions are made.
- Currently employed and in a pay status.
- Contributing either the maximum TSP contribution percentage allowed by his/her retirement or contributing an amount that will cause him/her to reach the IRS elective deferral limit at the end of the year.

An employee in a 6-month suspension period after making a TSP financial hardship withdrawal is not eligible to make catch-up contributions during that time.

Catch-up contributions:

- Do not continue into the next calendar year.
- Receive no matching contributions on catch-up contributions
- Are immediately vested
- Have an annual IRS limit
- Contributions must be in dollars not percentages
- May start and stop at any time
- Can only be made from basic pay through payroll deductions
- Must submit Enrollment Form, TSP-1-C, Catch-Up Contributions Election Form

For more information on Catch-Up contributions refer to the Fact Sheet Catch-Up Contributions found on the TSP web site.

### **TSP Loan Program**

Both CSRS and FERS employees can borrow their TSP contributions. There are 2 types of loans: 1) General purpose loan and 2) Residential loan. To be eligible to take a TSP loan, Federal employees must meet the following eligibility requirements:

- Be a current Federal employee
- Be in active pay status
- Employee must have at least \$1,000 of his or her own contributions and earnings in the TSP. Agency contributions cannot be borrowed.
- Employee has not repaid a TSP loan (of the same type) in full within the past 60 days
- Employee has not had a taxable distribution on a loan within the past 12 months, unless the taxable distribution resulted from separation from Federal service

The maximum amount you can borrow is limited by TSP and IRS rules.

An employee, who has a court order against their account, is not eligible to obtain a TSP loan.

The TSP loan program is an important benefit that allows participants access to the money in their accounts. However, taking a loan could result in less money for retirement. Before an employee takes a TSP loan, they should make sure they realize its potential effect on their retirement income and decide whether it makes more sense to borrow from another source.

For more information on TSP Loans, refer to the TSP Loan Booklet found on the TSP web site. Employees can apply for loans using the TSP web site, [www.tsp.gov](http://www.tsp.gov). Loans are processed and disbursed daily.

## **Rollovers and Transfers**

P.L. 106-361, effective July 1, 2001, allows the TSP to accept transfers of eligible rollover distributions from qualified retirement plans or from Individual Retirement Arrangements (IRAs). To transfer funds into the TSP, an individual must have an open TSP account and they cannot be receiving monthly payments from it. To request a transfer or to complete a rollover into a TSP account, a participant must complete TSP-60, Request for Transfer into the TSP (available on the web site) and mail the completed form to the TSP service office at the address on the back of the form.

As of January 2008, all or a portion can be transferred to a Roth IRA (subject to Federal tax). If an employee makes an Age-Based In-Service Withdrawal from their account, they will not be eligible for a Request for Partial Withdrawal from that account after they

separate from service. They will also deplete their retirement savings by the amount they withdrew. Employees cannot return or pay back the money to their account.

### **Disposition of TSP after Death**

TSP will make a death benefit payment upon the death of a participant with a TSP account. The TSP account balance will be paid in a lump sum according to the most recent Form TSP-3, Designation of Beneficiary. If no TSP-3 on file, account balance is paid according to the Order of Precedence, which is as follows:

- Widow or widower
- Child or children equally
- Parents equally (or all to a surviving parent)
- Appointed executor or administrator of the estate
- Next of kin entitled to the estate under the laws of the state resided in at the time of death

### **TSP Withdrawal Options**

In-service Withdrawals (while employed by the Federal government), 2 types:

- Age-Based In-Service Withdrawal – one-time-only withdrawal of all or any portion of an employee's vested account balance if you are 59 ½ or older.
- Financial Hardship In-Service Withdrawal – employee may withdraw their own contributions and earnings for a financial hardship.

To be eligible for a Financial Hardship In-Service Withdrawal, your financial need must result from at least 1 of the following 4 conditions:

- Negative monthly cash flow
- Medical expenses (including household improvements needed for medical care)
- Personal casualty losses
- Legal expenses for separation or divorce

For more information on in-service withdrawals, refer to the booklet TSP In-Service Withdrawals available on the TSP web site.

### **TSP Withdrawal Options** (continued)



An employee is eligible to withdraw their account when they separate from Federal service. A separated employee can use any combination of the following withdrawal options:

- Make a partial withdrawal of the account in a single payment
- Make a full withdrawal of the account by any one, or any combination, of the following methods:
  1. Receive the account in a single payment
  2. Receive the account in a series of monthly payments
  3. Receive a life annuity
  4. A mixed withdrawal

TSP can transfer all or part of any single payment or, in some cases, a series of monthly payments, to a traditional IRA or eligible employer plan. As of January 2008, participants may transfer all or a portion to a Roth IRA (subject to Federal tax). Payments to the participant can be deposited directly into a checking or savings account by means of electronic funds transfer (EFT).

For more information on TSP withdrawal options, refer to the booklet “Withdrawing Your TSP Account After Leaving Federal Service” available on the TSP web site

### **TSP ThriftLine**

The ThriftLine is an automated telephone service for the TSP, which is generally available 24 hours a day, 7 days a week, from a touch-tone telephone. The toll-free telephone number is 1-877-968-3778.

### **Participant Statement**

Participants may access their Participant’s Statement on [www.tsp.gov](http://www.tsp.gov) using their account number and their Web Password or they may request a mailed copy.